



November 18, 2021

CIRCULAR LETTER TO ALL MEMBER COMPANIES

Re: Workers Compensation Insurance

Revisions to North Carolina Basic Manual Rule 3.A.12.a.4.
Final Earned Premium – Determination

The North Carolina Rate Bureau has filed and the North Carolina Commissioner of Insurance has approved revisions to the Final Earned Premium - Determination (Rule 3-A-12-a-4). The approved Rule change will be updated upon approval.

The Final Earned Premium – Determination Rule was created to allow a carrier to calculate final earned premium based on an examination of all records related to the policy. This revision to the Final Earned Premium – Determination Rule will allow a carrier the flexibility to determine whether to conduct audits virtually or physically on-site.

A copy of the NCRB filing memorandum outlining all changes are included for your review.

If you have any questions, contact the NCRB Information Center at 919-582-1056 or via email at support@ncrb.org.

Sincerely,

Joanna Biliouris

Chief Operating Officer

JB:ko
Attachment
C-21-22

**North Carolina Rate Bureau
Filing Memorandum**

PURPOSE

The purpose of this filing is to:

- Remove “physical” from audit description in the **North Carolina Basic Manual for Workers Compensation and Employers Liability** (NC Basic Manual)

BACKGROUND

North Carolina Rate Bureau staff (Bureau) reviews various workers compensation issues including but not limited to topics of the manual rules, carrier feedback and effects on the workers compensation industry, such as the COVID-19 pandemic. Recurring feedback over the past few months has been that virtual audits have been completed successfully.

NC Basic Manual Rule 3-A-12-a on the Determination of Final Earned Premium was created to allow a carrier to calculate final earned premium based on an examination and audit of all records related to the policy.

PROPOSAL

The current rule is as follows:

NC Basic Manual Rule 3-A-12-a-4

12. Final Earned Premium

a. Determination

4. The rules, classifications, and rates in this manual govern the audit of payrolls and adjustments of premiums. Final earned premium for the policy must be determined on actual payroll as determined by the carrier at audit, instead of on estimated payroll or other premium basis, subject to the following requirements:

- a. For each risk producing an annual premium of less than \$50,000, the carrier must complete a mail/email or telephone, computer (remote access) audit of the employers’ records each year.
- b. For each risk producing an annual premium of \$50,000 or more, the carrier must make a final physical audit of the employer’s records at least once a year.

The Bureau proposed to the Workers Compensation Committee (Committee) that this rule be revised to allow the carrier the flexibility to determine whether to perform audits virtually or physically on-site.

The proposed new rule is outlined below:

NC Basic Manual Rule 3-A-12-a-4

12. Final Earned Premium

a. Determination

4. The rules, classifications, and rates in this manual govern the audit of payrolls and adjustments of premiums. Final earned premium for the policy must be determined on actual payroll as determined by the carrier at audit, instead of on estimated payroll or other premium basis, at least once a year., ~~subject to the following requirements:~~

- ~~a. For each risk producing an annual premium of less than \$50,000, the carrier must complete a mail/email or telephone, computer (remote access) audit of the employers’ records each year.~~
- ~~b. For each risk producing an annual premium of \$50,000 or more, the carrier must make a final physical audit of the employer’s records at least once a year.~~

**North Carolina Rate Bureau
Filing Memorandum**

IMPACT

No statewide premium impact will result from the changes proposed in this item.

IMPLEMENTATION

The NC Basic Manual Rule 3-A-12-a-4: Final Earned Premium - Determination rule change will be filed to be updated upon approval.